# CALCULATION OF

# PARITY AND BENCHMARK PERFORMANCE

### Statistical Methodologies:

Where the standard for a measure is "Parity with Bell Atlantic Retail," Bell Atlantic's performance for AT&T will be compared to Bell Atlantic's performance for its retail operation within the measured service area to determine whether "parity" exists. Bell Atlantic will use statistical methodologies as one means to determine if "parity" exists, or if the performance for AT&T is equivalent to the performance for Bell Atlantic Retail. For performance measures where "parity" is the standard and sufficient sample size exists, Bell Atlantic will use the "modified Z statistic" proposed by a number of CLECs in LCUG (Local Competitors User Group). The specific formulas are detailed below:

| Measured Variables: | Counted Variables: |
|---|---|
| $t = \dfrac{\overline{X}_{CLEC} - \overline{X}_{BA}}{\sqrt{s_{BA}^2\left(\dfrac{1}{n_{CLEC}} + \dfrac{1}{n_{BA}}\right)}}$ | $Z = \dfrac{P_{CLEC} - P_{BA}}{\sqrt{P_{BA}(1 - P_{BA})\left(\dfrac{1}{n_{CLEC}} + \dfrac{1}{n_{BA}}\right)}}$ |

### Definitions:

Measured Variables are metrics of means or averages, such as mean time to repair, or average interval.
Counted Variables are metrics of proportions, such as percent measures.

$\overline{X}$ is defined as the average performance or mean of the sample
S is defined as the standard deviation
n is defined as the sample size
p is defined as the proportion, for percentages 90% translates to a 0.90 proportion

A Z or t score of below −1.645 provides a 95% confidence level that the variables are different, or that they come from different processes.

### Sample Size Requirements:

The modified Z or t statistic will be used for measures where "parity" is the standard, unless there is insufficient sample size. For measured variables, the minimum sample size is 30. For counted variables, np(1-p) must be greater than or equal to 5.[23] When the sample size requirement is not met, Bell Atlantic will do the following:

If the absolute performance for AT&T is better than the Bell Atlantic Retail performance, no statistical analysis is required and the standard will be deemed to have been met. If the performance is worse for AT&T than Bell Atlantic Retail, Bell Atlantic will use the t distribution for measured variables until such time as a permutation test can be run in an automated fashion. For counted variables, the binomial distribution will be used. If the t distribution shows an "out of parity" result, Bell Atlantic will run the permutation test. If the permutation test shows an "out of parity" condition, Bell Atlantic will perform a root cause analysis to determine cause. If the cause is the result of "clustering" within the data, Bell Atlantic will provide documentation of such clustering. The nature of the variables used in the performance measures is that they do not meet the requirements 100% of the time for any statistical testing. Individual data points are not independent. The primary example of such non-independence is a cable failure. If AT&T has fewer than 30 troubles and all are within the same cable failure with long duration, the performance will appear out of parity. However, for all troubles, including Bell Atlantic Retail troubles, within that individual event, the trouble duration is identical. Another example of clustering is if AT&T has a small number of orders in a single location, with a facility problem. If this facility problem exists for all customers served by that cable and is longer than the average facility problem, the orders are not independent and clustering occurs. Finally, if root cause shows that the difference in performance is the result of AT&T behavior, Bell Atlantic will identify such behavior and work with AT&T on corrective action.

**Exceptions:**

A key assumption in using statistics to evaluate parity is that the data are independent. Events included in the performance measures of provisioning and maintenance of telecommunications services are not independent. The lack of independence is referred to as "clustering" of data. Clustering occurs when individual items (orders, troubles etc.) are clustered together as one single event. This being the case, Bell Atlantic will note an exception to the performance data in the performance report if any of the following events occur:

- Event Driven Clustering: Cable Failure: If a significant proportion (more than 30%) of AT&T's troubles are in a single cable failure, Bell Atlantic will provide the data demonstrating that all troubles within that failure, including Bell Atlantic Retail troubles, were resolved in an equivalent manner. Then, Bell Atlantic will provide the repair performance data with that cable failure performance excluded from the overall performance for both AT&T and Bell Atlantic Retail and the remaining troubles compared according to normal statistical methodologies.

- Location Driven Clustering: Facility Problems: If a significant proportion (more than 30%) of AT&T's missed installation orders and resulting delay days were due to an individual location with a significant facility

[23] In situations where either the Bell Atlantic or AT&T performance is 0% or 100%, this formula will trigger the process below regardless of sample size.

problem, Bell Atlantic will provide the data demonstrating that the orders were "clustered" in a single facility shortfall. Then, Bell Atlantic will provide the provisioning performance with that data excluded. Additional location driven clustering may be demonstrated by disaggregating performance into smaller geographic areas.

- Time Driven Clustering: Single Day Events: If a significant proportion (more than 30%) of AT&T activity, provisioning or maintenance, occurs on a single day within a month, and that day represents an unusual amount of activity in a single day, Bell Atlantic will provide the data demonstrating that the activity is on that day. Bell Atlantic will compare that single day's performance for AT&T to Bell Atlantic's own retail performance. Then, Bell Atlantic will provide data with that day excluded from overall performance to demonstrate "parity".

**Other Exceptions:**
AT&T Actions: In addition, the key assumption of independence of data may be impacted by AT&T behavior such as order quality, causing excessive missed appointments; incorrect dispatch identification, resulting in excessive multiple dispatch and repeat reports; inappropriate appointment coding on orders, where extended due dates are desired; and delays in rescheduling appointments, when Bell Atlantic has missed an appointment. Bell Atlantic will bring such behavior to the attention of AT&T to attempt resolution. If such action negatively impacts performance, Bell Atlantic will provide appropriate detail documentation of the events and communication to AT&T.

**Documentation:**

Bell Atlantic will provide all details, ensuring protection of customer proprietary information, to AT&T. Details include, individual trouble reports, and orders with analysis of Bell Atlantic Retail and AT&T performance. For cable failures, Bell Atlantic will provide appropriate documentation detailing all other troubles associated with that cable failure.

**Allowable Misses for Small Sample Sizes for Counted Variable Performance Measures with Benchmark Standards**

- If less than 20 items, find volume of items measured in Sample Size Column.
- If the number of misses falls under the "Allowed Misses" column, then the performance measure is not included for remedies.

**95% Standard:**

| Sample Size | Number of Allowed Misses |
|---|---|
| 1 | 1 |
| 2 | 1 |
| 3 | 1 |
| 4 | 1 |
| 5 | 1 |
| 6 | 1 |
| 7 | 1 |
| 8 | 1 |
| 9 | 1 |
| 10 | 1 |
| 11 | 1 |

| | |
|---|---|
| 12 | 1 |
| 13 | 1 |
| 14 | 1 |
| 15 | 1 |
| 16 | 1 |
| 17 | 1 |
| 18 | 1 |
| 19 | 1 |
| 20 | NA |

Permutation analysis will be applied to calculate the z-statistic for measured variables using the following logic:

For testing differences in averages, a Monte Carlo procedure (sampling without replacement) will be used to estimate (with specified accuracy) the exact p-value for the test. If the exact p-value is less than the specified level of confidence, the null hypothesis (parity) is rejected. Equivalently, the $Z_A$ value corresponding to the estimated p-value will be compared to the designated critical Z-value. If $Z_A$ is greater than the critical Z-value, then the performance is non-compliant.

For testing differences in proportions or rates, the exact p-value will either be estimated with a Monte Carlo procedure or computed using an alternative algorithm. If the exact p-value is less than the specified level of confidence, the null hypothesis (parity) is rejected. Equivalently, the $Z_A$ value corresponding to the estimated p-value will be compared to the designated critical Z-value. If $Z_A$ is greater than the critical Z-value, then the performance is non-compliant.

**Critical Z/t-Test Value**

The critical Z/t test value will be –1.645 based on a 95% confidence level.

hods Of Calculating Per Occurrence Voluntary Payments

**Measurements For Which The Reporting Dimensions Are Averages Or Means.**

Step 1: Calculate the average or the mean for the measurement for AT&T that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-statistic for the measurement.

Step 2: Calculate the percentage difference between the actual average and the calculated average (or benchmark value for benchmark measures) for each of the three non-compliant months.[24]

Step 3: Multiply the total number of AT&T data points[25] by the percentage calculated in the previous step. Calculate the average for three months and multiply the result by \$1500, \$900, and \$600 for

[24] Not to exceed 100%.

[25] For "Pay Per Occurrence" measures, the amount of the remedy payment will be based upon measured occurrences of service provided to AT&T (i.e., the amount of the remedy payment will not be based upon measured occurrences of service provided to CLECs in the aggregate).

Measurements that are designated as High, Medium, and Low respectively; to determine the applicable assessment payable for that measure.

**Measurements For Which The Reporting Dimensions Are Percentages.**

Step 1: Calculate the percentage for the measurement for AT&T that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-statistic for the measure.

Step 2: Calculate the difference between the actual percentage for AT&T and the calculated percentage (or benchmark value for benchmark measures) for each of the three non-compliant months.

Step 3: Multiply the total number of AT&T data points[26] by the percentage calculated in the previous step. Calculate the average for three months and multiply the result by $1500, $900, and $600 for measurements that are designated High, Medium, and Low respectively: to determine the applicable assessment payable.

**Measurements For Which The Reporting Dimensions Are Ratios Or Proportions.**

Step 1: Calculate the ratio for the measurement for AT&T that would yield the Critical Z-value for each of the three non-compliant months. Use the same denominator as the one used in calculating the Z-statistic for the measure.

Step 2: Calculate the percentage difference between the actual ratio for AT&T and the calculated ratio (or benchmark value for benchmark measures) for each of the three non-compliant months.

Step 3: Multiply the total number of AT&T data points[27] by the percentage calculated in the previous step for each month. Calculate the average for three months and multiply the result by $1500, $900, and $600 for measurements that are designated as High, Medium, and Low respectively; to determine the applicable assessment for that measure.

**Measurements for Which Payment Is Per Occurrence With A Cap**

Voluntary payments are calculated on a per occurrence basis in accordance with the methodologies described above and are payable up to the caps identified in Attachment A-4.

[26] For "Pay Per Occurrence" measures, the amount of the remedy payment will be based upon measured occurrences of service provided to AT&T (i.e., the amount of the remedy payment will not be based upon measured occurrences of service provided to CLECs in the aggregate).

[27] For "Pay Per Occurrence" measures, the amount of the remedy payment will be based upon measured occurrences of service provided to AT&T (i.e., the amount of the remedy payment will not be based upon measured occurrences of service provided to CLECs in the aggregate).

## Methods Of Calculating Per Measurement Voluntary Payments

For "Per Measurement" ("pay per measure") measures, no remedy payment will be due in connection with a measure for a measured calendar month if there was no AT&T activity for that measure for that measured calendar month.

Per Measurement voluntary payments are payable as detailed in the Voluntary Payments Table below if the actual Z-value exceeds the critical Z-value.

## REMEDY PAYMENTS TABLE FOR MEASUREMENTS

### Per Occurrence

| Measurement Group | |
|---|---|
| High | $1500 |
| Medium | $900 |
| Low | $600 |

The remedy payments due from Verizon to AT&T shall not exceed the Per Measurement/Per Occurrence Caps amounts set forth in this Attachment A-4.

## Per Measurement[28]/Per Occurrence[29] Caps[30]

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[28] The "Per Measurement" ("pay per measure") amounts set out in this Attachment A-4 apply to Bell Atlantic's performance for all competitive local exchange carriers in the Bell Atlantic service area of Virginia, in the aggregate. Accordingly, for Metrics PO-1, PO-2 and BI-2, the Per Measurement amount that applies to AT&T for a measure will be a percentage of the applicable Per Measurement amount stated in this Attachment A-4 that is equal to the AT&T percentage of all UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia. For Metric OR-5-01, " % Flow Through Total," "All Resale," the Per Measurement amount that applies to AT&T will be a percentage of the applicable Per Measurement amount stated in this Attachment A-4 that is equal to the AT&T percentage of all Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia. For Metric OR-5-01, " % Flow Through Total," "All UNE," the Per Measurement amount that applies to AT&T will be a percentage of the applicable Per Measurement amount stated in this Attachment A-4 that is equal to the AT&T percentage of all UNE lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia.

For instance, for Metric PO-1-01, "OSS Resp. Time – CSR," "EDI," if 10% of the UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) are provided to AT&T, the Per Measurement amount applicable to AT&T for this measure (a "Low" measure) would be 10% of $60,000, or $6000. Similarly, for Metric BI-2-01, "Timeliness of Carrier Bill," if 30% of the UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) are provided to AT&T, the Per Measurement amount applicable to AT&T for this measure (a "Low" measure) would be 30% of $60,000, or $18,000.

For purposes of this calculation, UNE lines include UNE-Platform lines, and all types of UNE loops and UNE IOF, and Resale lines include Resale lines and Resale circuits. The number of lines in service used for the financial remedy calculation will be based on the most recent lines in service data available at the time the calculation is performed. Notwithstanding anything else in this Schedule 26.4, AT&T shall be eligible for payments only with respect to "Per Measurement" measures for which there is measured AT&T activity (for example, if AT&T has no CORBA transactions, it would not be eligible for a payment with respect to any of the PO-1 or PO-2 measures that measure CORBA performance).

[29] The "Per Occurrence Caps" in this Attachment A-4 apply to Bell Atlantic's performance for all competitive local exchange carriers in the Bell Atlantic service area of Virginia, in the aggregate. Accordingly, for "per occurrence with a cap" measures, the cap that applies to AT&T for each measure will be a percentage of the applicable cap stated in this Attachment A-4 that is equal to the AT&T percentage of the measured observations for the measure for all competitive local exchange carriers in the Bell Atlantic service area of Virginia, for the three month remedy calculation period.

For example, for Metric OR-1-02, "% On Time LSRC – Flow Through," "Resale POTS" (a "Low" per occurrence with a cap measure), if 10% of all LSRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) for the three month remedy calculation period were AT&T LSRs, the cap applicable to AT&T would be 10% of $60,000, or $6000. Similarly, for Metric OR-1-02, "% On Time LSRC – Flow Through," "UNE Platform" (a "Low" per occurrence with a cap measure) if 35% of all LSRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) for the three month remedy calculation period were AT&T LSRs, the cap applicable to AT&T would be 35% of $60,000 or $21,000. For Metric OR-1-12, "% On Time FOC (</= 192 Trunks)," "CLEC Trunks" (a "Low" per occurrence with a cap measure), if 10% of all trunk ASRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) for the three month remedy calculation period were AT&T trunk ASRs, the cap applicable to AT&T would be 10% of $60,000, or $6000. Finally, for Metric NP-1-04, "# of Final Trunk Groups Blocked 3 Months," "BA-CLEC Trunks" (a "High" per occurrence with a cap measure), if 50% of the trunk groups measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Virginia (a "Measurement Group A" state) for the three month remedy calculation period were AT&T trunk groups, the cap applicable to AT&T would be 50% of $225,000, or $112,500.

[30] This chart sets out the Per Measurement/Per Occurrence Caps amounts that apply for the Bell Atlantic service area of Virginia. If this Schedule 26.4 is incorporated into an interconnection agreement for a service area other than the Bell Atlantic

| Measurement Group | A |
|---|---|
| High | $225,000 |
| Medium | $90,000 |
| Low | $60,000 |

service area of Virginia (whether by agreement of the Parties, pursuant to a requirement of Applicable Law or Commission or FCC order, or otherwise), this Schedule 26.4 automatically will be revised to adopt the Per Measurement/Per Occurrence Caps amounts applicable to such other service area under the Performance Assurance Plan set out in Appendix D, Attachment A of the Merger Order. A statement of these Per Measurement/Per Occurrence Caps amounts for the Verizon Bell Atlantic service areas as of the effective date of this Agreement is set out in Attachment A-8, End Note 1, attached.

## MEASUREMENT LIST

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| OSS | Interface | PO-1-01 | OSS Resp. Time – CSR | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-01 | OSS Resp. Time – CSR | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-01 | OSS Resp. Time – CSR | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-1-02 | OSS Resp. Time - Due Date Avail. | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-02 | OSS Resp. Time - Due Date Avail. | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-02 | OSS Resp. Time - Due Date Avail. | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-1-03 | OSS Resp. Time – Address Validation | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-03 | OSS Resp. Time – Address Validation | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-03 | OSS Resp. Time – Address Validation | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-1-04 | OSS Resp. Time - Prod. & Svc. Avail. | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-04 | OSS Resp. Time - Prod. & Svc. Avail. | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-04 | OSS Resp. Time - Prod. & Svc. Avail. | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-1-05 | OSS Resp. Time - TN Reservation | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-05 | OSS Resp. Time - TN Reservation | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-05 | OSS Resp. Time - TN Reservation | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-1-06 | OSS Resp. Time - Loop Qualification | EDI | retail + 4 seconds | measure | Low | Low |
| | | PO-1-06 | OSS Resp. Time - Loop Qualification | CORBA | retail + 4 seconds | measure | Low | Low |
| | | PO-1-06 | OSS Resp. Time - Loop Qualification | WEB GUI | retail + 7 seconds | measure | Low | Low |
| | | PO-2-02 | OSS Availability - Prime | EDI | 99.50% | measure | Medium/High [31] | Medium/High |
| | | PO-2-02 | OSS Availability-Prime | WEBGUI | 99.50% | measure | Medium/High | Medium/High |
| | | PO-2-02 | OSS Availability –Prime | CORBA | 99.50% | measure | Medium/High | Medium/High |
| | Billing | BI-2-01 | Timeliness of Carrier Bill | | 98% in 10 Bus. Days | measure | Low | Low |

[31] OSS Availability = Medium $ for 97.5% to < 99.5% availability, High $ for < 97.5% availability

**Schedule 26.4**
**Attachment A-5**

# MEASUREMENT LIST

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| Resale | Ordering | OR-1-02 | % On Time LSRC - Flow Through | POTS | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | POTS | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | ISDN | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | ADSL | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | Specials | 95% in 48 Hours | occurrence | $600 | Low |
| | | OR-1-06 | % On Time LSRC - >/= 10 Lines (E) | POTS | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-06 | % On Time LSRC - >/= 10 Lines (E) | Specials | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-02 | % On Time LSR Reject - Flow –Thru | POTS | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | POTS | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | ISDN | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | ADSL | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | Specials | 95% in 48 Hours | occurrence | $600 | Low |
| | | OR-2-06 | % On Time LSR Reject - >/= 10 Lines | POTS | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-06 | % On Time LSR Reject - >/= 10 Lines | Specials | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-5-01 | % Flow Through – Total | All Resale | TBD | Measure | Medium | Medium |
| | Provisioning | PR-3-08 | % Completed w/in 5 Days (1-5 lines) – No Dispatch | POTS | parity with retail | occurrence | $900 | |
| | | PR-3-09 | % Completed w/in 5 Days (1-5 lines) – Dispatch | POTS | parity with retail | occurrence | $900 | |
| | | PR-4-01 | % Missed Appt. - BA – Total | Specials | parity with retail | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | POTS | parity with retail | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | ISDN | parity with retail | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | ADSL | parity with retail | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | Specials | parity with retail | occurrence | $900 | |
| | | PR-4-04 | % Missed Appt. – Dispatch | POTS | parity with retail | occurrence | $900 | |
| | | PR-4-04 | % Missed Appt. – Dispatch | ISDN | parity with retail | occurrence | $900 | |
| | | PR-4-04 | % Missed Appt. – Dispatch | ADSL | parity with retail | occurrence | $900 | |
| | | PR-4-05 | % Missed Appt. - No Dispatch | POTS | parity with retail | occurrence | $900 | |
| | | PR-4-05 | % Missed Appt. - No Dispatch | ISDN | parity with retail | occurrence | $900 | |
| | | PR-4-05 | % Missed Appt. - No Dispatch | ADSL | parity with retail | occurrence | $900 | |

# MEASUREMENT LIST

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| Resale Continued | Provisioning (continued) | PR-5-03 | % Orders Missed-Facilities > 60 Days | POTS | parity with retail | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | Specials | parity with retail | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | ISDN | parity with retail | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | ADSL | parity with retail | occurrence | $1,500 | |
| | | PR-6-01 | % Install. Troubles Rept. W/in 30 Days | Specials | parity with retail | occurrence | $600 | |
| | | PR-6-02 | % Install. Troubles Rept. W/in 7 Days | POTS | parity with retail | occurrence | $600 | |
| | **Maintenance** | MR-2-01 | Network Trouble Report Rate (Total) | Specials | parity with retail | Occurrence | $600 | |
| | | MR-2-02 | Network Trouble Report Rate (Loop) | POTS | parity with retail | Occurrence | $600 | |
| | | MR-2-03 | Network Trouble Report Rate (CO) | POTS | parity with retail | Occurrence | $600 | |
| | | MR-3-01 | % Missed Repair Appt. (Loop) | POTS | parity with retail | Occurrence | $900 | |
| | | MR-3-02 | % Missed Repair Appt. (CO) | POTS | parity with retail | Occurrence | $900 | |
| | | MR-4-01 | Mean Time to Repair (Total) | Specials | parity with retail | Occurrence | $600 | |
| | | MR-4-02 | Mean Time to Repair (Loop) | POTS | parity with retail | Occurrence | $600 | |
| | | MR-4-03 | Mean Time to Repair (Central Office) | POTS | parity with retail | Occurrence | $600 | |
| | | MR-4-08 | % OOS > 24 Hours | POTS | parity with retail | Occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | Specials | parity with retail | Occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | POTS | parity with retail | Occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | Specials | parity with retail | Occurrence | $900 | |

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| UNE | Ordering | OR-1-02 | % On Time LSRC – Flow Through | PLATFORM | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-1-02 | % On Time LSRC – Flow Through | LOOP | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | PLATFORM | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | LOOP | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | 2 wire digital | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | 2 wire xdsl | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-04 | % On Time LSRC - < 10 Lines (E) | Total Spec. | 95% in 48 Hours | occurrence | $600 | Low |
| | | OR-1-06 | % On Time LSRC - >/= 10 Lines (E) | PLATFORM | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-06 | % On Time LSRC - >/= 10 Lines (E) | LOOP | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-06 | % On Time LSRC - >/= 10 Lines (E) | Total Spec. | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-1-19 | % On Time Response – Request for Inbound Augment Trunks | Inbound Trunks | 95% in 10 days | occurrence | $600 | Low |
| | | OR-2-02 | % On Time LSR Reject - Flow –Thru | PLATFORM | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-2-02 | % On Time LSR Reject - Flow –Thru | LOOP | 95% in 2 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | PLATFORM | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | LOOP | 95% in 24 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | 2 wire digital | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | 2 wire xdsl | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-04 | % On Time LSR Reject - < 10 Lines | Specials | 95% in 48 Hours | occurrence | $600 | Low |
| | | OR-2-06 | % On Time LSR Reject - >/= 10 Lines | PLATFORM | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-06 | % On Time LSR Reject - >/= 10 Lines | LOOP | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-2-06 | % On Time LSR Reject - >/= 10 Lines | Specials | 95% in 72 Hours | occurrence | $600 | Low |
| | | OR-5-01 | % Flow Through – Total | All UNE | TBD | Measure | Medium | Medium |
| | Provisioning | PR-3-08 | % Completed w/in 5 Days (1-5 lines) – No Dispatch | Platform | parity with retail POTS | occurrence | $600 | |
| | | PR-3-09 | % Completed w/in 5 Days (1-5 lines) – Dispatch | Platform | parity with retail POTS | occurrence | $600 | |
| | | PR-4-01 | % Missed Appt. - BA – Total | EEL | parity with retail tot. specials | occurrence | $900 | |
| | | PR-4-01 | % Missed Appt. - BA – Total | IOF | parity with retail tot. specials | occurrence | $900 | |
| | | PR-4-01 | % Missed Appt. - BA – Total | Specials | parity with retail tot. specials | occurrence | $900 | |

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| UNE | Provisioning | PR-4-02 | Average Delay Days – Total | Platform | parity with retail POTS | occurrence | $900 | |
| | continued | PR-4-02 | Average Delay Days – Total | LOOP | parity with retail POTS | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | 2 wire digital | parity with retail 2nd line | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | 2 wire xdsl | parity with retail 2nd line | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | EEL | parity with retail tot. specials | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | IOF | parity with retail tot. specials | occurrence | $900 | |
| | | PR-4-02 | Average Delay Days – Total | Specials | parity with retail tot. specials | occurrence | $900 | |
| | | PR-4-04 | % Missed Appt. – Dispatch | Platform | parity with retail POTS | occurrence | $900 | |
| | | PR-4-04 | % Missed Appt. – Dispatch | Loop (no HC) | parity with retail POTS | occurrence | $900 | |
| | | PR-4-05 | % Missed Appt. - No Dispatch | Platform | parity with retail POTS | occurrence | $900 | |
| | | PR-4-07 | % On Time - UNE LNP | LNP | 95% | occurrence | $900 | |
| | | PR-4-10 | % Completed On Time – Complex (DD-2 Test & Serial Number) | 2 wire digital | Parity with retail 2nd line | occurrence | $900 | |
| | | PR-4-10 | % Completed On Time – Complex (DD-2 Test & Serial Number) | 2 wire xdsl | Parity with retail 2nd line | occurrence | $900 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | PLATFORM | parity with retail POTS | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | LOOP | parity with retail POTS | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | Specials | parity with retail tot. specials | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | 2 wire digital | parity with retail 2nd line | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | 2 wire xdsl | parity with retail 2nd line | occurrence | $1,500 | |
| | | PR-6-01 | % Install. Troubles Rept. W/in 30 Days | Specials | | occurrence | $600 | |

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| | | PR-6-01 | % Install. Troubles Rept. W/in 30 Days | 2 wire digital | parity with retail 2nd line | occurrence | $600 | |
| | | PR-6-01 | % Install. Troubles Rept. W/in 30 Days | 2 wire xdsl | parity with retail 2nd line | occurrence | $600 | |
| UNE | Provisioning | PR-6-02 | % Install. Troubles Rept. W/in 7 Days | PLATFORM | parity with retail POTS | occurrence | $600 | |
| | continued | PR-6-02 | % Install. Troubles Rept. W/in 7 Days | LOOP | parity with retail POTS | occurrence | $600 | |
| | | PR-6-02 | % Install. Troubles Rept. W/in 7 Days | Hot Cut Loop | 3% | occurrence | $900 | |
| | | PR-9-01 | % On Time - UNE Hot Cut Loop | Hot Cut Loop | 95% | occurrence | $900 | |
| | **Maintenance** | MR-2-01 | Network Trouble Report Rate (Total) | Specials | parity with retail tot. specials | occurrence | $600 | |
| | | MR-2-02 | Network Trouble Report Rate (Loop) | PLATFORM | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-02 | Network Trouble Report Rate (Loop) | LOOP | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-02 | Network Trouble Report Rate (Loop) | 2 wire digital | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-02 | Network Trouble Report Rate (Loop) | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-03 | Network Trouble Report Rate (Central Office) | PLATFORM | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-03 | Network Trouble Report Rate (CO) | LOOP | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-03 | Network Trouble Report Rate (CO) | 2 wire digital | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-2-03 | Network Trouble Report Rate (CO) | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $600 | |
| | | MR-3-01 | % Missed Repair Appt. (Loop) | PLATFORM | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-01 | % Missed Repair Appt. (Loop) | LOOP | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-01 | % Missed Repair Appt. (Loop) | 2 wire digital | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-01 | % Missed Repair Appt. (Loop) | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $900 | |

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| UNE | Maintenance continued | MR-3-02 | % Missed Repair Appt. (CO) | PLATFORM | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-02 | % Missed Repair Appt. (CO) | LOOP | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-02 | % Missed Repair Appt. (CO) | 2 wire digital | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-3-02 | % Missed Repair Appt. (CO) | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | PLATFORM | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | LOOP | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | 2 wire digital | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-4-08 | % OOS > 24 Hours | Specials | parity with retail tot. specials | occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | PLATFORM | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | LOOP | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | 2 wire digital | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | 2 wire xdsl | parity with retail POTS/Complex | occurrence | $900 | |
| | | MR-5-01 | % Repeat Reports w/in 30 Days | Specials | parity with retail tot. specials | occurrence | $900 | |

| | | Metric # | Metric | Product | Standard | Pay per | $ | $Cap |
|---|---|---|---|---|---|---|---|---|
| **Inter-Connection** | **Ordering** | OR-1-12 | % On Time FOC (</= 192 Trunks) | CLEC Trunks | 95% in 10 Days | occurrence | $900 | Low |
| | | OR-2-12 | % On Time Reject (</= 192 Trunks) | CLEC Trunks | 95% in 10 Days | occurrence | $900 | Low |
| | **Provisioning** | PR-4-01 | % Missed Appt. - BA – Total | CLEC Trunks | Parity with IXC FGD | occurrence | $1,500 | |
| | | PR-5-03 | % Orders Missed-Facilities > 60 Days | CLEC Trunks | Parity with IXC FGD | occurrence | $1,500 | |
| | **Maintenance** | MR-2-01 | Network Trouble Report Rate (Total) | CLEC Trunks | Parity with IXC FGD | occurrence | $900 | |
| | | MR-4-07 | % OOS > 12 Hours | CLEC Trunks | Parity with IXC FGD | occurrence | $1,500 | |
| | **Blockage** | NP-1-04 | # of Final Trunk Groups Blocked 3 Months | BA-CLEC Trunks | 0 | occurrence | $1,500 | High |
| **Collocation** | **Ordering** | NP-2-01 | % On Time Response for Request | Physical | 95% | occurrence | $900 | |
| | | NP-2-02 | % On Time Response for Request | Virtual | 95% | occurrence | $900 | |
| | **Provisioning** | NP-2-05 | % On Time Completion | Physical | 95% | occurrence | $1,500 | |
| | | NP-2-06 | % On Time Completion | Virtual | 95% | occurrence | $1,500 | |

The remedy payments due from Verizon to AT&T shall not exceed the annual and monthly cap amounts set forth in this Attachment A-6.

**Annual Caps** -- *$Thousands*

(Monthly Caps are 1/12th the annual amount)[32]

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[32] The caps in this Attachment A-6 apply to Bell Atlantic's performance for all competitive local exchange carriers in the Bell Atlantic service area of Virginia, in the aggregate. Accordingly, the caps that apply to AT&T will be a percentage of the caps stated in this Attachment A-6 that is equal to the AT&T percentage of all UNE lines, Resale lines, and trunks, provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia. For instance, the annual cap applicable to all competitive local exchange carriers in the Bell Atlantic service area of Virginia in Year 1 would be $15,518,100. The monthly cap applicable to all competitive local exchange carriers in the Bell Atlantic service area of Virginia would be 1/12th of this amount, or $1,293,175. If 10% of the UNE lines, Resale lines, and trunks, provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Virginia are provided to AT&T, the monthly cap applicable to AT&T would be 10% of $1,293,175, or $129,317.50 (i.e., the maximum amount that AT&T could receive under this Schedule 26.4 for the total monthly remedy payment would be $129,317.50). For purposes of this calculation, UNE lines include UNE-Platform lines, UNE loops and UNE IOF, and Resale lines include Resale lines and Resale circuits. Trunks include trunks in service provided by Bell Atlantic to competitive local exchange carriers that are subject to measurement under any measure in this Attachment A. The number of lines and trunks in service used to calculate the cap will be based on the most recent lines and trunks in service data available at the time that the financial incentive calculation is performed.

The chart above sets out the annual and monthly caps that apply for the Bell Atlantic service area of Virginia. If this Schedule 26.4 is incorporated into an interconnection agreement for a service area other than the Bell Atlantic service area of Virginia (whether by agreement of the Parties, pursuant to a requirement of Applicable Law or Commission or FCC order, or otherwise), this

| | Year 1[33] | Year 2 | Year 3 and Beyond |
|---|---|---|---|
| VA | $15,518.1 | $23,275.3 | $31,032.5 |

Schedule 26.4 automatically will be revised to adopt the annual and monthly caps applicable to such other service area under the Performance Assurance Plan set out in Appendix D, Attachment A of the Merger Order. A statement of these caps for the Verizon Bell Atlantic service areas as of the effective date is set out in Attachment A-8, End Note 2, attached.

[33] A Plan Year shall be deemed to be from April of one year through March of the next year. For purposes of determining the Annual and Monthly caps applicable under this Schedule 26.4, Year 1 shall be deemed to have commenced on April 1, 2001. However, Verizon shall have no obligation to provide measurement results or make remedy payments for any month prior to the first calendar month after the month in which this Agreement becomes effective.

ATTACHMENT A-7

## DESCRIPTION AND EXAMPLES OF FINANCIAL INCENTIVE CALCULATIONS

## EXAMPLE NO. 1

## ILLUSTRATION OF A PERFORMANCE ASSURANCE PLAN PAYMENT CALCULATION

### Benchmark Measure With a Percentage Standard

Under the Performance Assurance Plan, if the standard for a measure is missed for three consecutive months, a payment will be due.[34] Below is an illustration of the payment calculation for a measure with a percentage benchmark standard for which the benchmark standard is missed for three consecutive months.

**Performance Assurance Plan Hypothetical Payment Calculation for a Benchmark Measure**

**Step 1**
Subtract the AT&T performance from the Benchmark to find the difference

**Step 2**
Multiply the Performance Difference by the corresponding month's number of Observations

**Benchmark Measures** *with percentage standards*

Aggregate State Level Results

| **PR-9-01*** **% On-time UNE Hot Cut Loop** | Benchmark | Performance AT&T Agg.+ | Observations AT&T Agg.+ | Performance Difference | Occurrences | $/Point | Total $ |
|---|---|---|---|---|---|---|---|
| Month 1 | 95.00% | 94.50% | 3562 | 0.50% | 17.81 | | |
| Month 2 | 95.00% | 85.40% | 1253 | 9.60% | 120.29 | | |
| Month 3 | 95.00% | 90.20% | 2658 | 4.80% | 127.58 | | |
| | | | | Total for 3 months | 265.68 | | |
| | | | | 3-Month Average | 88.56 | $ 900.00 | $ 79,704.60 |

+ data shown is hypothetical

**Step 3**
Average the "Occurences" for the three months of missed performance

**Step 4**
Multiply the average occurrences by $1,500, $900 or $600 for metrics ranked as high, medium or low as specified in the Plan

**Step 5** **The $79,704.60 calculated above is the payment due for this metric for the three-month period**

* PR-9-01 % On-time Hot Cut Loop has a $900 per occurrence payment with a benchmark standard of 95% in the Performance Assurance Plan

Payments under the Performance Assurance Plan can also be triggered if the standard for a measure is missed for 6 or more months out of the 12 months in a Plan Year. If this occurs, the 6 or more months are treated as if they were consecutive. For example, 6 misses in the 12 months of a Plan Year would generate 4 payments, 7 misses in the12 months of a Plan Year would generate 5 payments, and 8 misses in the 12 months of a Plan Year would generate 6 payments.[35]

Example: If the standard for a metric is missed in the 7 months of April, May, July, September and October, 2002, and January and February, 2003, for payment purposes the measure would be treated as if the standard had been missed for 7 consecutive months. A calculation similar to that shown above would be performed for each of the 5 sets of 3 months as shown below:

[34] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[35] See, Appendix A, Sections 3.1.1. and 3.1.1.2.

April, May, July
May, July, September
July, September, October
September, October, January
October, January, February

## EXAMPLE NO. 2

# ILLUSTRATION OF A PERFORMANCE ASSURANCE PLAN PAYMENT CALCULATION

### Benchmark Measure With a Non-Percentage Standard

Under the Performance Assurance Plan, if the standard for a measure is missed for three consecutive months, a payment will be due.[36] Below is an illustration of the payment calculation for a measure with a non-percentage benchmark standard for which the benchmark standard is missed for three consecutive months.

**Performance Assurance Plan Hypothetical Payment Calculation for a Benchmark Measure**

**Step 1**
Subtract the Benchmark from the AT&T Performance to find the difference

**Step 2**
Since the standard is a count instead of a percentage, the Occurences are equal to the Performance Differences

**Benchmark Measure** *with non-percentage standards*

| NP-1-04* | Aggregate State Level Results Performance Benchmark | AT&T Agg. | Observations AT&T Agg.* | Performance Difference | Occurrences | $/Point | Total $ |
|---|---|---|---|---|---|---|---|
| # of Final Trunk Groups Blocked | | | | | | | |
| Month 1 | 0 | 1 | 133 | 1 | 1.00 | | |
| Month 2 | 0 | 2 | 160 | 2 | 2.00 | | |
| Month 3 | 0 | 2 | 187 | 2 | 2.00 | | |
| | | | | Total for 3 months | 5.00 | | |
| | | | | 3-Month Average | 1.67 | $ 1,500.00 | $ 2,500.00 |

* data shown is hypothetical

**Step 3**
Average the "Occurrences" for the three months of missed performance

**Step 4**
Multiply the average occurrences by $1,500, $900 or $600 for metrics ranked as high, medium or low as specified in the Plan

**Step 5** **The $2,500.00 calculated above is the payment due for this metric for the three-month period**

* NP-1-04 # of Final Trunk Groups Blocked 3 Months has a $1,500 per occurrence payment with a benchmark standard of 0 in the Performance Assurance Plan

Payments under the Performance Assurance Plan can also be triggered if the standard for a measure is missed for 6 or more months out of the12 months in a Plan Year. If this occurs, the 6 or more months are treated as if they were consecutive. For example, 6 misses in the 12 months of a Plan Year would generate 4 payments, 7 misses in the 12 months of a Plan Year would generate 5 payments, and 8 misses in the 12 months of a Plan Year would generate 6 payments.[37]

> Example: If the standard for a metric is missed in the 7 months of April, May, July, September and October, 2002, and January and February 2003, for payment purposes the metric would be treated as if the standard had been missed for 7 consecutive months.

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[36] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[37] See, Appendix A, Sections 3.1.1 and 3.1.1.2.

A calculation similar to that shown above would be performed for each of the 5 sets of 3 months as shown below:

April, May, July
May, July, September
July, September, October
September, October, January
October, January, February

# EXAMPLE NO. 3

## Illustration of a Performance Assurance Plan Payment Calculation
## Parity Measure for Percentages and Rates

Under the Performance Assurance Plan, if the standard for a measure is missed for three consecutive months, a payment will be due.[38] Below is an illustration of the payment calculation for a counted variable measure with a "parity" standard for which the standard is missed for three consecutive months.

**Performance Assurance Plan Hypothetical Payment Calculation for a Parity Measure**

**Step 1**
Calculate the performance that would yield the Critical Z value using the same denominator used to calculate the z-statistic

**Step 2**
Subtract the performance that would yield the Critical Z value from the AT&T performance to find the difference

**Step 3**
Multiply the Performance Difference by the corresponding month's number of Observations

**Parity Measures** *for counted variables (percents and rates)*

| | | Aggregate State Level Results | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **PR-4-04*** | | Performance | | Observations | | Performance | | | |
| **% Missed Appt - Dispatch - Platf** | Vz | CalcPerf CV | AT&T Agg | Vz | AT&T Agg | Difference | Occurrences | $/Point | Total $ |
| Month 1 | 3.20% | 3.40% | 5.50% | 95000 | 28496 | 2.10% | 599.68 | | |
| Month 2 | 10.40% | 10.93% | 14.60% | 95000 | 10024 | 3.67% | 368.15 | | |
| Month 3 | 6.50% | 6.81% | 9.80% | 95000 | 21264 | 2.99% | 636.29 | | |
| | | | | | | Total for 3 months | 1604.12 | | |
| | | | | | | 3-Month Average | 534.71 | $ 900.00 | $ 481,236.97 |

* data shown is hypothetical

**Step 4**
Average the "Occurences" for the three months of missed performance

**Step 5**
Multiply the average occurrences by $1,500, $900 or $600 for metrics ranked as high, medium or low as specified in the Plan

**Step 6** **The $481,236.97 calculated above is the payment due for this metric for the three-month period**

* PR-4-04 % Missed Appointment-Dispatch - Platform has a $900 per occurrence payment with a parity standard in the Performance Assurance Plan

Payments under the Performance Assurance Plan can also be triggered if the standard for a measure is missed for 6 or more months out of the 12 months in a Plan Year. If this occurs, the 6 or more months are treated as if they were consecutive. For example, 6 misses in the 12 months of a Plan Year would generate 4 payments, 7 misses in the 12 months of a Plan Year would generate 5 payments, and 8 misses in the 12 months of a Plan Year would generate 6 payments.[39]

> Example: If the standard for a metric is missed in the 7 months of April, May, July, September and October, 2002, and January and February, 2003, for payment purposes the metric would be treated as if the standard had been missed for 7 consecutive months.

[38] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[39] See, Appendix A, Sections 3.1.1 and 3.1.1.2.

A calculation similar to that shown above would be performed for each of the 5 sets of 3 months as shown below:

April, May, July
May, July, September
July, September, October
September, October, January
October, January, February

## EXAMPLE NO. 4

# ILLUSTRATION OF A PERFORMANCE ASSURANCE PLAN PAYMENT CALCULATION

## Parity Measure for Averages and Means

Under the Performance Assurance Plan, if the standard for a measure is missed for three consecutive months, a payment will be due.[40] Below is an illustration of the payment calculation for a measured variable metric with a "parity" standard for which the standard is missed for three consecutive months.

**Performance Assurance Plan Hypothetical Payment Calculation for a Parity Measure**

**Step 1**
Calculate the performance that would yield the Critical Z value for each of the three months using the same denominator used to calculate the z-statistic.

**Step 2**
Determine the percent difference between the Calculated Critical Value performance and the AT&T performance for each month.

**Step 3**
Multiply the Performance Difference for each month by the number of Observations in each month

**Parity Measures** *for measured variables (means and averages)*

| PR-4-02* | Aggregate State Level Results Performance | | | Observations | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Average Delay Days - Total - Lo** | Vz | CalcPerf CV | AT&T Agg. | Vz | AT&T Agg. | Performance Difference | Occurences | $/Point | Total $ |
| Month 1 | 10.12 | 10.19 | 11.02 | 10000 | 1178 | 8.19% | 96.44 | | |
| Month 2 | 9.89 | 9.95 | 10.66 | 10000 | 1254 | 7.09% | 88.91 | | |
| Month 3 | 10.05 | 10.12 | 10.56 | 10000 | 1099 | 4.37% | 47.99 | | |
| | | | | | | Total for 3 months | 233.34 | | |
| | | | | | | 3-Month Average | 77.78 | $ 900.00 | $ 70,002.30 |

* data shown is hypothetical

**Step 4**
Average the "Occurences" for the three months of missed performance

**Step 5**
Multiply the average occurrences by $1,500, $900 or $600 for metrics ranked as high, medium or low as specified in the Plan

**Step 6** **The $70,002.30 calculated above is the payment due for this metric for the three-month period**

* PR-4-02 Average Delay Days -Total - Loop has a $900 per occurrence payment with a parity standard in the Performance Assurance Plan

Payments under the Performance Assurance Plan can also be triggered if the standard for a measure is missed for 6 or more months out of the 12 months in a Plan Year. If this occurs, the 6 or more months are treated as if they were consecutive. For example, 6 misses in the 12 months of a Plan Year would generate 4 payments, 7 misses in the 12 months of a Plan Year would generate 5 payments, and 8 misses in the 12 months of a Plan Year would generate 6 payments.[41]

Example: If the standard for a measure is missed in the 7 months of April, May, July,

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[40] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[41] See, Appendix A, Sections 3.1.1 and 3.1.1.2.

September and October, 2002, and January and February, 2003, for payment purposes the metric would be treated as if the standard had been missed for 7 consecutive months. A calculation similar to that shown above would be performed for each of the 5 sets of 3 months as shown below:

April, May, July
May, July, September
July, September, October
September, October, January
October, January, February

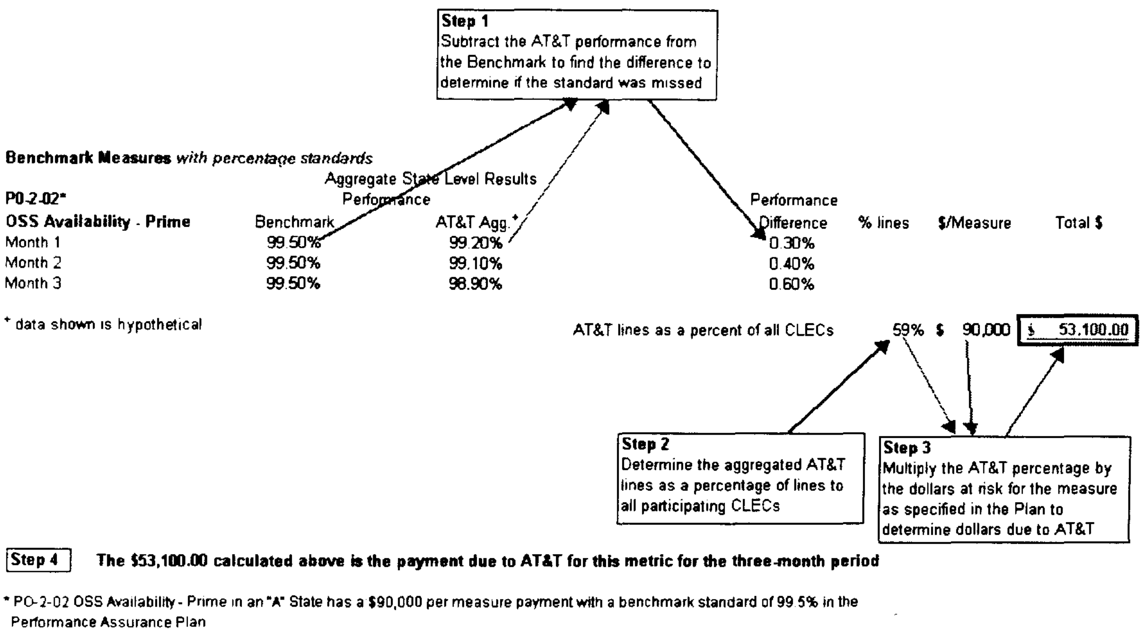
# EXAMPLE NO. 5

## ILLUSTRATION OF A PERFORMANCE ASSURANCE PLAN PAYMENT CALCULATION

### Benchmark Measure With a Percentage Standard

Under the Performance Assurance Plan, if the standard for a measure is missed for three consecutive months, a payment will be due.[42] Below is an illustration of the payment calculation for a measure with a percentage benchmark standard for which the benchmark standard is missed for three consecutive months.

**Performance Assurance Plan Hypothetical Payment Calculation for a Benchmark Measure**




Payments under the Performance Assurance Plan can also be triggered if the standard for a measure is missed for 6 or more months out of the 12 months in a Plan Year. If this occurs, the 6 or more months are treated as if they were consecutive. For example, 6 misses in the 12 months of a Plan Year would generate 4 payments, 7 misses in the12 months of a Plan Year would generate 5 payments, and 8 misses in the 12 months of a Plan Year would generate 6 payments.[43]

> Example: If the standard for a metric is missed in the 7 months of April, May, July, September and October, 2002, and January and February, 2003, for payment purposes the measure would be treated as if the standard had been missed for 7 consecutive months. A calculation similar to that shown above would be performed for each of the 5 sets of 3 months as shown below:

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[42] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[43] See, Appendix A, Sections 3.1.1. and 3.1.1.2.

April, May, July
May, July, September
July, September, October
September, October, January
October, January, February

EXAMPLE NO. 6

Example Of The Incentive Calculations Where The 3-Month Rule And 6-Month Rule For Incentive Payments Are Applied Within The Same Plan Year

The example below demonstrates how the 3-month rule[44] and the 6-month rule[45] interact when they are both applied within the same Plan Year.[46] In this example, the 3-month rule is triggered by standard misses in June, July and August. The resulting payment is made after the August performance is reported. When the 6-month rule is triggered in December, the Performance Assurance Plan calls for the months for which the standard was missed to be treated as if they were consecutive, and there would be a total of 4 payments under the Plan for the 6 misses within the Plan Year. Since a payment for June-July-August was made under the 3-month rule, a payment for June-July-August would not be due under the 6-month rule. Payments would be due under the 6-month rule only for April-June-July, July-August-October, and August-October-December. These payments would become due after the performance for December was reported.

| **MONTH** | **Single month performance for a measure** | **3-Month Rule** 3 consecutive month miss | **6-MONTH RULE** 6 misses out of the 12 month Plan Year | **Incentive Payment Distributions** |
|---|---|---|---|---|
| April | Miss | | | |
| May | Pass | | | |
| June | Miss | | | |
| July | Miss | | Incentive payment based on April-June-July results | Payment made under the 6-month rule after the December performance month is reported |
| August | Miss | Incentive payment based on June-July-August results | No additional incentive payment is due since it was already paid for these 3 months under the 3-month rule | Payment made under the 3-month rule after the August performance month is reported |
| September | Pass | | | |
| October | Miss | | Incentive payment based on July-August-October results | Payment made under the 6-month rule after the December performance month is reported |
| November | Pass | | | |
| December | Miss | | Incentive payment based on August- | Payment made under the 6-month rule after |

[44] See, Appendix A, Sections 3.1.1 and 3.1.1.1.

[45] See, Appendix A, Sections 3.1.1 and 3.1.1.2.

[46] See, Appendix A, Section 3.1.1.3.

| | | | | |
|---|---|---|---|---|
| | | | October-December results | the December performance month is reported |
| January | Pass | | | |
| February | Pass | | | |
| March | Pass | | | |

END NOTE 1

## Per Measurement[47]/Per Occurrence[48] Caps

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[47] The "Per Measurement" ("pay per measure") amounts set out in this Attachment A-8 apply to Bell Atlantic's performance for all competitive local exchange carriers in the applicable service area, in the aggregate. Accordingly, for Metrics PO-1, PO-2 and BI-2, the Per Measurement amount that applies to AT&T for a measure for each service area will be a percentage of the applicable Per Measurement amount stated in this Attachment A-8 that is equal to the AT&T percentage of all UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the service area. For Metric OR-5-01, " % Flow Through Total," "All Resale," the Per Measurement amount that applies to AT&T for a measure for each service area will be a percentage of the applicable Per Measurement amount stated in this Attachment A-8 that is equal to the AT&T percentage of all Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the service area. For Metric OR-5-01, " % Flow Through Total," "All UNE," the Per Measurement amount that applies to AT&T for a measure for each service area will be a percentage of the applicable Per Measurement amount stated in this Attachment A-8 that is equal to the AT&T percentage of all UNE lines provided by Bell Atlantic to all competitive local exchange carriers in the service area.

For instance, for Metric PO-1-01, "OSS Resp. Time – CSR," "EDI," if 10% of the UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) are provided to AT&T, the Per Measurement amount applicable to AT&T for this measure (a "Low" measure) would be 10% of $60,000, or $6000. Similarly, for Metric BI-2-01, "Timeliness of Carrier Bill," if 30% of the UNE and Resale lines provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) are provided to AT&T, the Per Measurement amount applicable to AT&T for this measure (a "Low" measure) would be 30% of $60,000, or $18,000.

For purposes of this calculation, UNE lines include UNE-Platform lines, and all types of UNE loops and UNE IOF, and Resale lines include Resale lines and Resale circuits. The number of lines in service used for the financial remedy calculation will be based on the most recent lines in service data available at the time the calculation is performed. Notwithstanding anything else in this Schedule 26.4, AT&T shall be eligible for payments only with respect to "Per Measurement" measures for which there is measured AT&T activity (for example, if AT&T has no CORBA transactions, it would not be eligible for a payment with respect to any of the PO-1 or PO-2 measures that measure CORBA performance).

[48] The "Per Occurrence Caps" in this Attachment A-8 apply to Bell Atlantic's performance for all competitive local exchange carriers in the applicable service area, in the aggregate. Accordingly, for "per occurrence with a cap" measures, the cap that applies to AT&T for each measure in each service area will be a percentage of the applicable cap stated in this Attachment A-8 that is equal to the AT&T percentage of the measured observations for the measure for all competitive local exchange carriers in the service area, for the three month remedy calculation period.

For example, for Metric OR-1-02, "% On Time LSRC – Flow Through," "Resale POTS" (a "Low" per occurrence with a cap measure), if 10% of all LSRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) for the three month remedy calculation period were AT&T LSRs, the cap applicable to AT&T would be 10% of $60,000, or $6000. Similarly, for Metric OR-1-02, "% On Time LSRC – Flow Through," "UNE Platform" (a "Low" per occurrence with a cap measure) if 35% of all LSRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) for the three month remedy calculation period were AT&T LSRs, the cap applicable to AT&T would be 35% of $60,000 or $21,000. For Metric OR-1-12, "% On Time FOC (</=

| Measurement Group | **A** | **B** | **C** |
|---|---|---|---|
| High | $225,000 | $75,000 | $20,000 |
| Medium | $90,000 | $30,000 | $10,000 |
| Low | $60,000 | $20,000 | $5,000 |

A = States with 1,000,000 or more access lines
B = States with between 500,000 and 999,999 access lines
C = States with < 500,000 access lines

| | |
|---|---|
| A | Bell Atlantic Service Area: Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Virg |
| B | Bell Atlantic Service Area: District of Columbia, Delaware, Maine, New Hampshire, Rhode Islan Virginia |
| C | Bell Atlantic Service Area: Connecticut, Vermont |

192 Trunks)," "CLEC Trunks" (a "Low" per occurrence with a cap measure), if 10% of all trunk ASRs measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) for the three month remedy calculation period were AT&T trunk ASRs, the cap applicable to AT&T would be 10% of $60,000, or $6000. Finally, for Metric NP-1-04, "# of Final Trunk Groups Blocked 3 Months," "BA-CLEC Trunks" (a "High" per occurrence with a cap measure), if 50% of the trunk groups measured by this measure for all competitive local exchange carriers in the Bell Atlantic service area of Maryland (a "Measurement Group A" state) for the three month remedy calculation period were AT&T trunk groups, the cap applicable to AT&T would be 50% of $225,000, or $112,500.

## END NOTE 2

### Annual Caps -- *$Thousands*

(Monthly Caps are 1/12th the annual amount)[49]

| | Year 1 | Year 2 | Year 3 and Beyond |
|---|---|---|---|
| CT | $239.4 | $359.1 | $478.8 |
| DC | $4,148.4 | $6,222.1 | $8,295.7 |
| DE | $2,460.5 | $3,690.5 | $4,920.5 |
| MA | $19,799.4 | $29,696.6 | $39,593.9 |
| MD | $16,249.7 | $24,372.6 | $32,495.5 |
| ME | $3,014.5 | $4,521.4 | $6,028.2 |
| NH | $3,421.6 | $5,132.0 | $6,842.4 |
| NJ | $27,845.6 | $41,764.9 | $55,684.3 |
| NY | $51,441.4 | $77,155.9 | $102,870.3 |
| PA | $28,088.3 | $42,129.1 | $56,169.8 |
| RI | $2,884.4 | $4,326.2 | $5,768.0 |
| VA | $15,518.1 | $23,275.3 | $31,032.5 |
| VT | $1,497.9 | $2,246.6 | $2,995.4 |
| WV | $3,669.3 | $5,503.5 | $7,337.7 |

[49] The caps in this Attachment A-8 apply to Bell Atlantic's performance for all competitive local exchange carriers in the applicable service area, in the aggregate. Accordingly, the caps that apply to AT&T for each service area will be a percentage of the caps stated in this Attachment A-8 that is equal to the AT&T percentage of all UNE lines, Resale lines, and trunks, provided by Bell Atlantic to all competitive local exchange carriers in the service area. For instance, the annual cap applicable to all competitive local exchange carriers in the Bell Atlantic service area of Maryland in Year 1 would be $16,249,700. The monthly cap applicable to all competitive local exchange carriers in the Bell Atlantic service area of Maryland would be 1/12th of this amount, or $1,354,141.67. If 10% of the UNE lines, Resale lines, and trunks, provided by Bell Atlantic to all competitive local exchange carriers in the Bell Atlantic service area of Maryland are provided to AT&T, the monthly cap applicable to AT&T would be 10% of $1,354,141.67, or $135,414.17 (i.e., the maximum amount that AT&T could receive under this Schedule 26.4 for the total monthly remedy payment would be $135,414.17). For purposes of this calculation, UNE lines include UNE-Platform lines, UNE loops and UNE IOF, and Resale lines include Resale lines and Resale circuits. Trunks include trunks in service provided by Bell Atlantic to competitive local exchange carriers that are subject to measurement under any measure in this Attachment A. The number of lines and trunks in service used to calculate the cap will be based on the most recent lines and trunks in service data available at the time that the financial incentive calculation is performed.

# Exhibit B

**EXHIBIT B**

## NETWORK ELEMENT BONA FIDE REQUEST PROCESS

1.0. Any request by AT&T for access to a Verizon unbundled Network Element or Combination that is not already available and that Verizon is required by Applicable Law to provide shall be treated as a Network Element Bona Fide Request pursuant to this Exhibit B.

1.1 Notwithstanding anything to the contrary in this Exhibit B, Verizon shall not be required to provide a proprietary Network Element to AT&T under this Exhibit B except as required by Applicable Law.

2.0 The following process shall be used to promptly consider and analyze requests for Network Elements and Combinations required to be provided under Applicable Law which are not specifically identified in this Agreement. These requests shall hereinafter be referred to as "Network Element Bona Fide Requests." The Network Element Bona Fide Request process set forth herein does not apply to those services requested pursuant to Report & Order and Notice of Proposed Rulemaking 91-141 (rel. Oct. 19, 1992) ¶ 259 and n.603 or subsequent orders.

3.0 A Network Element Bona Fide Request shall be submitted in writing and shall include a technical description of each requested Network Element or Combination.

4.0 Within ten (10) business days of its receipt, Verizon shall acknowledge receipt of the Network Element Bona Fide Request.

5.0 Except under extraordinary circumstances, within thirty (30) days of its receipt of a Network Element Bona Fide Request, Verizon shall provide to AT&T a preliminary analysis in writing of such Network Element Bona Fide Request (hereinafter referred to as a "Preliminary Analysis") at no charge to AT&T. The Preliminary Analysis shall (i) state whether Verizon will offer access to the Network Element or Combination or (ii) provide an explanation that access to the Network Element or Combination is not technically feasible and/or that the request does not qualify as a Network Element or Combination that is required to be provided by Verizon under Applicable Law.

6.0 If Verizon determines that the provision of a Network Element or Combination requested in the Network Element Bona Fide Request is technically feasible and is required to be provided under Applicable Law, it shall proceed with developing the Network Element Bona Fide Request upon written authorization from AT&T. When it receives such written authorization, Verizon shall promptly develop the requested services, determine their availability, calculate the applicable prices and establish installation intervals. Within 90 days of its receipt of such request by AT&T to proceed with developing the Network Element Bona Fide Request, Verizon shall provide a quote for the Network Element or Combination requested, including a description of each Network Element or Combination, its availability, applicable prices and installation intervals (hereinafter referred to as a "BFR Quote").

7.0 Unless the Parties otherwise agree, the Network Element or Combination requested must be priced in accordance with Section 252(d)(1) of the Act.

8.0 Within thirty (30) days of its receipt of the BFR Quote, the AT&T must either confirm its order for the Network Element Bona Fide Request pursuant to the BFR Quote or seek relief pursuant to the Dispute Resolution Process set forth in Section 28.11.

9.0 If a Party to a Network Element Bona Fide Request believes that the other Party is not requesting, negotiating or processing the Network Element Bona Fide Request in good faith, or disputes a determination, or price or cost quote, or is failing to act in accordance with Section 251 of the Act, such Party may seek relief pursuant to the Dispute Resolution Process set forth in Section 28.11.

10.0 AT&T may cancel its Network Element Bona Fide Request at any time but shall pay Verizon's reasonable and demonstrable costs of processing and/or implementing the Network Element Bona Fide Request up to the date of cancellation.